

TOWN OF FRANKFORD
AGREED-UPON PROCEDURES ON MUNICIPAL GRANTS
FOR THE YEAR ENDED JUNE 30, 2005

**TOWN OF FRANKFORD
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FOR THE YEAR ENDED JUNE 30, 2005**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Town of Frankford
5 Main Street
P.O. Box 550
Frankford, Delaware

We have performed the procedures enumerated below, which were agreed to by Town of Frankford and the State of Delaware's Office of the Auditor of Accounts, Department of Homeland Security, and the Office of the State Treasurer, solely to assist you with respect to determining the Town's compliance with Delaware's applicable laws, regulations, financial reporting and the effectiveness of the internal control structure related to the municipal grant funds received for the year ended June 30, 2005 on Page 4. The Town of Frankford's Management is responsible for compliance with those requirements. This agreed-upon procedures engagement was performed in accordance with *Government Auditing Standards* (2003) issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants that have been incorporated by *Government Auditing Standards* (2003). The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. Document understanding of cash disbursement internal control structure over municipal street aid grant funds from discussion with management and report internal control weaknesses.

FINDING NO. 05-1 - During completion of the Town of Frankford's program checklist for the municipal street aid grant, it was noted that their cash internal control structure over municipal street aid has no segregation of duties due to lack of personnel. The Town Administrator controls all the cash functions for the Town which is a reportable internal control weakness that does not properly maintain and safeguard municipal street aid funds. Segregation of duties reduces the risk that one person could perpetrate and/or conceal errors in the normal course of his/her duties.

RECOMMENDATION - The Town should segregate duties related to cash among different Town board members so that additional controls over the Town's municipal grants can be established.

TOWN'S PLAN FOR CORRECTIVE ACTION:

"The recommendation of duties related to cash being segregated among different Town Council members would not be feasible or possible. Since all of the five (5) members of Town Council work separate jobs unrelated to the Town duties and are not available for this daily function, it would postpone or delay transactions. It has been noted in our regular audit as well that lack of personnel creates a lack of segregation of duties but with small towns such as ours we are not alone and until funding becomes available to hire additional staff, we will not be able to avoid this concern."

FINDING NO. 05-2 - During completion of the Town of Frankford's program checklist for the municipal street aid grant, it was noted that the Town paid an invoice 30 days after the due date which is in noncompliance with the State's regulations over disbursement of its funds [29 Del. C. §6516(d)]. No additional charges were incurred by the Town due to the late payment. The delinquent payment of invoices could expose the Town to unnecessary late payment charges.

RECOMMENDATION - The Town should ensure invoices are paid in a timely manner.

TOWN'S PLAN FOR CORRECTIVE ACTION:

"This individual invoice was the result of an invoice not being received through the mail. I called and reported this to the vendor and no finance charges were incurred as result. The Town of Frankford always attempts to pay on a timely basis."

2. Complete the State of Delaware Auditor of Accounts municipal grants agreed-upon procedure program to determine the Town's compliance with applicable laws, regulations and financial reports related to municipal grant funds received during the year ended June 30, 2005. Detail any instances of noncompliance.

FINDING NO. 05-3 - During completion of the Town of Frankford's program checklist for the municipal street aid grant, it was noted that the Town had not submitted the annual expenditure report to the Office of the State Treasurer for the fiscal year ended on June 30, 2005.

The Town was required to submit an annual report to the office of the State Treasurer on or before October 1, 2005 [30 Del. C. §5165(b)(2)]. The failure to file the report could result in the Town not receiving municipal street aid funds.

RECOMMENDATION - The Town should establish a written schedule to ensure future municipal street aid annual reports are filed on or before October 1st and the current annual report as soon as possible.

TOWN'S PLAN FOR CORRECTIVE ACTION:

"The finding that noted the yearly Municipal Street Aid Report was not filed is correct, but proper notice was given to the State in regards to the projected delay in filing it by the deadline date. Every attempt to correctly submit accurate audit summary reports has been made. During the past three years audit on the Town of Frankford it was disclosed to our auditors that the balance in the Municipal Street Aid checking account did not match the ending balances on the audit report. Since the general consensus was that the balance was actually higher (overage) in the checking account (\$ 843.66) differing from the audit summary report, it was not an issue and/or a problem. I had hoped that once we had received our completed audit of fiscal year 2004-2005 that it would be resolved and the proper audit summary could then be filed."

3. Note all situations or transactions that could be indicative of fraud, illegal acts, material errors, defalcations, irregularities or gross violations of the grant agreements and abuse or misuse of State funds.

During completion of the program checklist, no fraud, illegal acts, gross violations of provisions of contracts or grant agreements and no abuse or misuse of state funds were noted.

4. Prepare the Town's Schedule of Municipal Grants received during the year ended June 30, 2005.

See Page 4.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the Town's compliance with Delaware's laws and regulations, financial reporting and the effectiveness of the internal control structure related to municipal grant funds. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information of the Town of Frankford's Management and Council Members, Department of Homeland Security, Office of the State Treasurer and Office of Auditor of Accounts, and is not intended to be and should not be used by anyone other than those specified parties. However, under 29 Del. C. §10002(d), this report is a public record and its distribution is not limited.

Jefferson, Ulan, Doane & Starnes, P.A.

Georgetown, Delaware
February 7, 2006

**TOWN OF FRANKFORD
SCHEDULE OF MUNICIPAL GRANTS
FOR THE YEAR ENDED JUNE 30, 2005**

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<u>Grants</u>	<u>Amount Received</u>
Municipal Street Aid	\$ 59,014.79*
Police Pension	-
State Aid to Local Law Enforcement	-
Emergency Illegal Drug Enforcement	-

* The Grant amount received by the Town of Frankford during the year included \$ 20,038.78, \$ 19,650.82 and \$ 19,325.19 for the award years 2003, 2004 and 2005, respectively.